

The use of trips to the U.S.

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As the IMF mission arrived to Ukraine to hold a conference on structural reform in Ukraine, and the head of the IMF mission in Ukraine openly stated that the "economic remain very severe, economic transformation in Ukraine is not occurring" and added that the government was not a force organized enough to pursue the reforms, the executive branch produced a decision designed to create a reason for at least some positive comments.

Last Thursday it was announced that President Kuchma might sign a decree "On Speeding-up Reform in the Agrarian Sector", introducing a radical agrarian reform to be completed by April 2000. Commenting on the expected decree, Minister of the Agro-Industrial Complex Mykhailo Glagiy defined the would-be document as a "very radical" one but "without destructive force", and announced the decree would allow building new relations in agriculture. According to the minister, the collective form of ownership of land, dominating the Ukrainian agrarian sector, proved to be "ineffective" and had cost the national budget 4.7 billion hryvnias since January 1999, while 33,000 farmers, notwithstanding the generally unfavorable business climate in the country, had received at least 26 million as profits. The minister did not go into detail about what had prevented reforms before and how the "radical reform" agenda - provided the decree is endorsed by the parliament - could be implemented within four months.

The new decree gives priority to private enterprise in the agrarian sector. Specifically, if approved, the decree will give peasants the right to leave collective farms and take away their assets and land. While to date creation of private farms has been complicated by a large number of bureaucratic procedures, the new decree will remove most of the obstacles and allow rural dwellers to farm independently. The decree will abolish Soviet-style collective farms usually run by the same "red landlords" as before, and introduce free sale and rent of land for Ukrainian citizens, and lease of land for up to 50 years for foreigners. The approval of Leonid Kuchma's agrarian decree will make each of 22 million holders of land certificates a full private owner of 5 hectares of free land, and allow each of them to buy 25 more hectares. The total amount of land each individual - both rural and urban residents - will be allowed to have is 100 hectares, but the share of forming land is limited to only up to 50 hectares per person. The agrarian reform and privatization of land are among the key issues of economic transformation in Ukraine. For some reason, it has also been a favorite "starter" for President Kuchma. In 1993, then Prime Minister Leonid Kuchma issued a decree that allowed privatization of land plots adjacent to private houses. In November 1994, the new president issued a decree on privatization of land. Up to now, both decrees, in fact, act alongside with the Land Code. However, all efforts to reform the ownership of land may succeed only if supported by the parliament. Earlier this year, the President issued decrees simplifying the taxation procedure for actors of the agrarian sector and allowing privatization of land, unsuitable for farming and belonging to enterprises and other objects being privatized.

The Presidential Administration announced that the new decree would be motivated by "better political and, moreover, social-economic conditions". Although there is no law allowing to sell and buy land, land relations and ownership can be regulated by the current legislation on private property rights, according to the Administration officials. To date the issue of private ownership of land has remained among the most sensitive ones, and even pro-market politicians have preferred to avoid direct answers to the question whether land should be traded, claiming the society is not prepared to accept buying and selling land. Commenting on the initiative, Serhiy Dovhan, leader of the Peasants' faction, the parliamentary stronghold of "red landlords", argued the decree was a "rude violation of the Constitution and the laws of Ukraine". He argued the president had no right to issue such decrees and announced the faction might initiate the impeachment procedure. According to Dovhan, introduction of the decree would ruin the agrarian complex. Though, the peasants' leader offered no comments as to why almost all collective farms are loss-making notwithstanding budget subsidies they receive. On the other side of the political spectrum represented in the parliament, former chairman of the parliament's privatization committee Oleksandr Ryabchenko described his attitude to the new decree as "absolutely normal" but stressed the legislation should be amended first to allow the announced changes to occur. In his view, the decree is unlikely to have a broad impact in the near future, as Ukraine still lacks material and technical resources of a wide-scale land privatization. Meanwhile, most of politicians agreed that the

efforts to implement the decree were likely to create a serious challenge to Ukraine's under-reformed economy and unstable political equilibrium.

Strictly speaking, the decree is illegitimate, as under the Transitional Provisions of the Constitution the president's power to issue decrees on economic questions not regulated by the current legislation ended on June 28, 1999. The "extra" decree is clearly designed and meant for making a positive impression before Kuchma's forthcoming visit to Washington D.C. So far, American assistance to Ukraine has been directly linked - at least verbally - to Ukraine's commitment to pursue economic reform, privatization of land being an integral part of it. The purpose of this effort is to bargain for giving Ukraine the most favored nation status. On the other hand, the move was timely for the arrival of the IMF mission, and at least any possibility to balance the negative impression that is likely to be produced on the key international donors by the lack of progress in economic reform.

While Ukraine's top-ranking officials' trips to the U.S. obviously stimulate their activism if not really result in reforms immediately, the strife to look good to Americans and the IMF may cost the president a new round of tension with the parliament. Ukraine's top law-making body is likely to oppose the decree claiming it is illegal and a serious offence of the law. Hence, the president will have yet another chance to accuse the parliament of blocking reform and obstructing privatization - and proceed with the referendum on having an early parliamentary elections if the desired "parliamentary majority" cannot be formed.